



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HARDIN COUNTY SHERIFF**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

HARDIN COUNTY ROBERT E. THOMAS, COUNTY SHERIFF CALENDAR YEAR 1999 FEE AUDIT

Independent Auditors Report:

We would like to commend the Hardin County Sheriff, Robert E. Thomas, and Finance Officer, Donna Cross, for their excellent accounting procedures and record keeping. As in prior years, they have demonstrated a high degree of knowledge concerning the Commonwealth of Kentucky's automated reporting system for counties with population exceeding 70,000. In addition, their efforts to maintain accurate accounting records allowed for the efficient transition to the Commonwealth's new reporting system (MARS) in July 1999.

Financial Condition of the Entity:

The Sheriff's operating fund with the State Treasurer had a deficit fund balance of \$177,731 as of December 31, 1999. Since this was the first year of the Sheriff's new term, this balance is normal in the Sheriff's office. The State Treasurer allows the Sheriff to carry a deficit balance in his operating fund as long as it is eliminated at end of his term of office.

The Sheriff remitted \$213,146 to his county fund with the State Treasurer, which was subsequently paid to the Hardin County Fiscal Court.

The Hardin County Sheriff's office had the following book balances in its accounts as of December 31, 1999: Fee Account \$248; Imprest Cash Account \$9,919.45; Extradition Account \$8,546; Escrow Account \$3,220; DARE Account \$343; and, Drug Account \$2,005.

Debt Obligations:

The Sheriff's only debt as of December 31, 1999, was a lease agreement on a copy machine. The lease had a remaining balance of \$5,938, which represented 48 monthly installments.

Information in Financial Notes:

The Sheriff's office participates in the Kentucky Law Enforcement Foundation Program, which provides funding to law enforcement agencies in the form of police incentive pay. The funds are available through the Department of Criminal Justice Training to any eligible officer who meets the training requirements for the year. During calendar year 1998, the Sheriff's office received a total of \$83,193; of which \$70,424 was incentive pay and \$12,769 was employer share of retirement.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Glen D. Dalton, Hardin County Judge/Executive

Honorable Robert E. Thomas, Hardin County Sheriff

Members of the Hardin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the Sheriff of Hardin County, Kentucky, and the statement of receipts, disbursements, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 1999. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Sheriff and the receipts, disbursements, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Glen D. Dalton, County Judge/Executive
Honorable Robert E. Thomas, Hardin County Sheriff
Members of the Hardin County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated June 9, 2000, on our consideration of the Sheriff's compliance with laws and regulations and internal control over financial reporting.

- We would like to commend the Hardin County Sheriff, Robert E. Thomas, and Finance Officer, Donna Cross, for their excellent accounting procedures and record keeping. As in prior years, they have demonstrated a high degree of knowledge concerning the Commonwealth of Kentucky's automated reporting system for counties with population exceeding 70,000. In addition, their efforts to maintain accurate accounting records allowed for the efficient transition to the Commonwealth's new reporting system (MARS) in July 1999.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 9, 2000

HARDIN COUNTY
ROBERT E. THOMAS, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 1999

Receipts

State Grants:

Juvenile Advocate Pay	\$ 12,500	
Kentucky Law Enforcement Foundation Program Fund-Incentive Pay	<u>83,193</u>	\$ 95,693

State Fees for Services	137,762
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Circuit Court Clerk	124,798
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Fiscal Court	67,756
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County Clerk	10,443
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Commission on Taxes	592,809
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Fees Collected for Services:

Auto Inspections	\$ 46,220	
Accident and Police Reports	1,097	
Serving Papers	77,442	
Executions	6,427	
Carrying Concealed Deadly Weapon Permits	32,555	
Sheriff's Advertising Fees	77,507	
Transporting Prisoners	13,836	
Record Checks	<u>1,085</u>	256,169

Other Receipts:

Mortgage Company Fees	\$ 2,544	
Invoice Repayment	18,547	
Interest Earned	26,801	
Bond Refunds	101	
Miscellaneous	<u>320</u>	<u>48,313</u>

Gross Receipts (Carried Forward)	\$ 1,333,743
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HARDIN COUNTY
 ROBERT E. THOMAS, SHERIFF
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 Calendar Year 1999
 (Continued)

Gross Receipts (Brought Forward)		\$ 1,333,743
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Disbursements

Payments to State:

Carrying Concealed Deadly Weapon Permits	\$ 19,420	
Executions	4,360	
Extraditions	<u>13,261</u>	

Total Disbursements		<u>37,041</u>
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Net Receipts		\$ 1,296,702
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Payments to State Treasurer:

75% Operating Fund	* \$ 1,083,556	
25% County Fund	<u>213,146</u>	<u>1,296,702</u>

Balance Due at Completion of Audit		<u><u>\$ 0</u></u>
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* Includes reimbursed expenses and fiscal court supplements to the Sheriff of \$455,807 for the audit period. See Note 1 to the Financial Statements.

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
 ROBERT E. THOMAS, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND FUND BALANCES OF THE SHERIFF'S OPERATING
FUND AND COUNTY FUND WITH THE STATE TREASURER

Calendar Year 1999

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 1999	\$ 0	\$ 0	\$ 0
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,083,556		1,083,556
Fees Paid to State - County Funds (25%)		213,146	213,146
	<u>\$ 1,083,556</u>	<u>\$ 213,146</u>	<u>\$ 1,296,702</u>
<u>Disbursements</u>			
Hardin County Government	\$	\$ 213,146	\$ 213,146
Personnel Services-			
Officials Statutory Maximum	78,395		78,395
Deputies Salaries	707,695		707,695
Employee Benefits-			
Retirement	134,889		134,889
Social Security	54,365		54,365
Health Insurance	34,924		34,924
Contracted Services-			
Advertising	12,953		12,953
Vehicle Maintenance and Repairs	23,707		23,707
Materials and Supplies-			
Uniforms	12,760		12,760
Uniform Maintenance	5,251		5,251
Gasoline	21,332		21,332
Other Charges-			
Canine	657		657
Data Processing	1,742		1,742
Postage	20,930		20,930
Radio Maintenance and Tower Rental	5,605		5,605
Video Arraignment	4,306		4,306
Tires	1,520		1,520
Training and Travel	4,559		4,559
Transport	14,953		14,953

HARDIN COUNTY
 ROBERT E. THOMAS, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND FUND BALANCES OF THE SHERIFF'S OPERATING
 FUND AND COUNTY FUND WITH THE STATE TREASURER
 Calendar Year 1999
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements (Continued)</u>			
Other Charges- (Continued)			
Storage	\$ 240	\$	\$ 240
Pager Rental	294		294
Parking Fee	240		240
Office Expense	24,258		24,258
Law Enforcement Supplies	5,384		5,384
Life Insurance	1,263		1,263
Phone Service	13,989		13,989
Bonds, Insurance, and Dues	30,749		30,749
Miscellaneous	1,673		1,673
Capital Outlay-			
Computer Hardware	5,809		5,809
Communication Equipment	3,706		3,706
Office Equipment	13,099		13,099
Motor Vehicles	20,040		20,040
Total Disbursements	<u>\$ 1,261,287</u>	<u>\$ 213,146</u>	<u>\$ 1,474,433</u>
Fund Balance - December 31, 1999	<u>\$ (177,731)</u>	<u>\$ 0</u>	<u>\$ (177,731)</u>

The accompanying notes are an integral part of the financial statements

HARDIN COUNTY
ROBERT E. THOMAS, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HARDIN COUNTY
 ROBERT E. THOMAS, SHERIFF
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 1999
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. However, the depository institution did not have a written agreement with the Sheriff securing the Sheriff's interest in the collateral.

Note 4. Lease

Commitments to the following lease agreement as of December 31, 1999 is:

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 1999
Copier	\$ 212	48 months	1/31/2003	\$ 5,938

HARDIN COUNTY
ROBERT E. THOMAS, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1999
(Continued)

Note 5. Health Insurance Premiums

KRS 61.405 allows county fee officials to purchase twelve (12) months of health insurance coverage for their employees, if excess fees are available. Therefore, the expenditures are allowable. The Attorney General has issued opinion 92-108, which claims the statute is unconstitutional and discriminatory. The Attorney General also issued OAG 94-11 on February 25, 1994, stating health or medical insurance provided uniquely for an official and not in connection with a government program providing benefits to all county employees would be personal in nature.

Note 6. Kentucky Law Enforcement Foundation Program Fund

The Hardin County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program Fund. Under the program, grant funding is available as incentive pay through the Commonwealth of Kentucky Department of Criminal Justice Training. Per KRS 15.460, an eligible officer is entitled to receive an annual maximum of \$2,750. During calendar year 1999, the Hardin County Sheriff's office received and expended \$83,193, of which \$70,424 was incentive pay and \$12,769 was retirement matching.

Note 7. DARE Fund

The Sheriff had a DARE Fund, which had a beginning balance of \$330; receipts of \$1,001; and disbursements of \$988; leaving a balance at December 31, 1998, of \$343.

Note 8. Drug Fund

The Sheriff had a drug fund account which had a beginning balance of \$2,288; receipts of \$0; and disbursements of \$283; leaving a balance at December 31, 1998, of \$2,005.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Glen D. Dalton, County Judge/Executive
Honorable Robert E. Thomas, Hardin County Sheriff
Members of the Hardin County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Hardin County Sheriff's financial statements as of December 31, 1999, and have issued our report thereon dated June 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hardin County Sheriff's financial statements as of December 31, 1999, are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hardin County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Glen D. Dalton, County Judge/Executive
Honorable Robert E. Thomas, Hardin County Sheriff
Members of the Hardin County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 9, 2000

